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RUEHRI/AMCONSUL RIO DE JANEIRO 8833
RUEHBO/AMEMBASSY BOGOTA 1690
RUCPDOC/USDOC WASHDC 3159
RHEHNSC/NATIONAL SECURITY COUNCIL WASHDC

UNCLAS SECTION 01 OF 02 SAO PAULO 000468

FOR PM/DTCC-BLUE LANTERN COORDINATOR

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [ETTC](#) [KOMC](#) [CO](#) [BR](#)
SUBJECT: BLUE LANTERN POST-SHIPMENT CHECK ON LICENSE 050073566

REF: STATE 58722

¶11. (SBU) SUMMARY: In response to reftel, Econoff conducted three separate site visits and was able to confirm receipt of the parts by Foreign Consignee Embraer. Site visits revealed that Embraer's license application contained erroneous information about consignee Darrigo & Valente Transportes, Ltda., including incorrect company name and address. The site visits conducted on the basis of the request were insufficient to assess the operations and on-site security of Transportes Darrigo Ltda, the company that actually receives and transports USML items for Embraer. Following the site visits, Embraer provided proof that parts were received. Post recommends that PM/DTCC meet with Embraer's Senior Legal Counsel, Werner Buff Neto, during the upcoming visit to Brazil on September 24, and conduct follow-up site visits to the locations where Transportes Darrigo Ltda actually operates from. END SUMMARY.

¶12. (SBU) On August 28, 2008 Econoff conducted a site visit to Darrigo E Valente Transportes, Ltda. (located at Rua Dublin, 98, Vila Letonia, Sao Jose dos Campos; alias Darrigo & Valente Transportes) and spoke with the company Director, Rafael Darrigo Valente. Econoff conducted a subsequent site visit to DEX Logistica (located at Rua Oslo, 187, Vila Letonia, Sao Jose dos Campos, which is the address listed on the license application), but the Manager, Carlos Sergio Martins, was not available. Econoff subsequently visited foreign consignee Embraer where she spoke with the company's Senior Legal Counsel, Werner Buff Neto, about the discrepancies in the license request.

SITE VISIT: DARRIGO E VALENTE TRANSPORTES

¶13. (SBU) Darrigo E Valente Transportes, Ltda. (Rua Dublin, 98, Vila Letonia) claimed to have received no packages from the United States nor delivered any packages to Embraer in 2008. According to Director Rafael Darrigo Valente, the company has been at the address Rua Dublin, 98 since June 2004. Valente produced and provided copies of contracts to back this claim. Valente rents the property from Portuguese citizen Manuel Fernando Duarte Pereira for R\$750/month (equivalent to \$470 USD).

¶14. (SBU) The facility has no identifying external sign, website or otherwise easily accessible contact information, and the Director's business card does not include an address. Regarding security, the facility does not have an electronic security system or well-organized files. The company has one old computer, three administrative staff, and a few additional employees. Econoff did not observe any boxes or other material germane to a transportation company, save two small vans. Valente does not speak English.

¶15. (SBU) Valente claims to have worked as an outsourced contractor of Fedex since 1990 for the city of Sao Jose dos Campos and

surrounding municipalities. This relationship changed in 2002 when Fedex consolidated contracts from twenty-two companies to three. The company that won the contract for the South-Southeast of Brazil (where Sao Jose dos Campos is located) was Transportadora Americana.

At that time, Darrigo E Valente Transportes was contracted via Transportadora Americana to continue providing services for Fedex. Valente claimed that during this time his company was co-located at Transportadora Americana's facilities. (Note: Later, Valente said his company was located at Rua Oslo, 187 until 2004. End Note) In November 2007, this relationship was terminated at Transportadora Americana's request. Valente explained that it was a cost-saving measure.

¶6. (SBU) Valente told Econoff that since November 2007, the company works as an "Advance Fedex Shipping Center". Valente explained that this means that clients who do not have a corporate account with Fedex can send and receive packages utilizing Darrigo E Valente Transportes' account. Econoff observed a folder containing Fedex shipping slips from 2008 and there appeared to be no more than a couple dozen such slips. The FedEx website lists Darrigo & Valente Transportes Ltda. as an authorized shipper.

¶7. (SBU) Throughout the 60 minute conversation with Econoff, Valente appeared nervous, defensive, eager to control conversation, but cooperative. After speaking with Econoff for over an hour and insisting that his company has done no work for Embraer in the past year, Valente told Econoff that he has a 'branch office' at Guarulhos International Airport in Sao Paulo. The branch office is named "Transportes Darrigo Ltda." and they work exclusively with Embraer. (Comment: Econoff was surprised that it took over an hour for this information to surface. Econoff was clear from the

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beginning that the shipment was for Embraer. Valente had already told Econoff on several occasions that his company does not work for Embraer. Embraer later told Econoff that the company works for them out of Viracopos airport in Campinas. End comment)

¶8. (SBU) Subsequent on-line research revealed that both Transportes Darrigo Ltda. and Darrigo & Valente Transportes are listed at the city's chamber of commerce as located at the following address: Rua Talim, 55. Jd. Aeroporto. At no time did Valente indicate to Econoff that he had another facility in the neighborhood nor does this address appear in any of the rental contracts Valente produced.

In a post-visit phone call, Valente told Econoff that Darrigo & Valente Transportes no longer is located at the Rua Talim address.

SITE VISIT: DEX LOGISTICA

¶9. (SBU) Valente accompanied Econoff to DEX Logistica, a shipping company located at Rua Oslo, 187, Vila Letonia, Sao Jose dos Campos, which is the address listed on the license application. Valente produced a rental contract for this facility, indicating that in 2004 he rented the facility to Porto Uniao Representacoes E Comercio Ltda., a food distribution company. In 2007, the facility was rented to DEX Transportes E Logistica, Ltda., a logistics and shipping company. Monthly rental is R\$ 2500 (\$1,560 USD). The facility appeared bona fide, with forklifts, electronic security, website, and other material germane to a shipping company. Valente claims that relationship between Darrigo & Valente Transportes and DEX is strictly a rental relationship. (Note: Econoff did not have an opportunity to speak with the manager therefore this information was not confirmed. End Note.)

EMBRAER LEGAL DEPARTMENT

¶10. (SBU) Following the site visit, Econoff met with Embraer's Senior Legal Counsel and person responsible for export controls, Werner Buff Neto. Econoff indicated her concern about the lack of clarity with regards to both the company and address listed on the license application. Buff showed Econoff a copy of the purchase order and license application, together with Embraer's contract with

Transportes Darrigo Ltda. Following the visit, Buff furnished documents confirming receipt of parts. Buff told Econoff that Embraer has an extensive relationship with Transportes Darrigo Ltda. and that the company has been a reliable partner as an Embraer freight forwarder, transporting goods between Embraer sites. Buff provided Econoff a copy of the service contract, signed in April 2005. The company's listed address in the contract is Rua Talim, 55 and the contract was signed by Luiz Guilherme Darrigo, who is listed as the Director and President of the company. Transportes Darrigo Ltda's 1992 by-laws lists the following people as owners: Luiz Guilherme Darrigo and Maria Auxiliadora do Prado Darrigo. Nowhere in the dozens of pages of legal documents about the company is there mention of Darrigo E Valente Transportes, Ltda., Rafael Darrigo Valente, the Rua Dublin address, or the Rua Oslo address.

¶11. (SBU) Following the visit, Buff offered to look at the issue in more detail and indicated concern that their license application contained erroneous information. Following Buff's investigation into the matter, he explained to Econoff that according to Embraer's files, Darrigo E Valente Transportes is part of Transportes Darrigo Ltda and does occasional work for Transportes Darrigo Ltda as a subcontractor.

¶12. (SBU) COMMENT: In light of Brazil's onerous and complicated tax system, it is not unusual to find companies entangled in complex legal arrangements designed to avoid a heavy tax burden. The obscure relationship between Darrigo E Valente Transportes and Transportes Darrigo Ltda may be more of an indication of the difficulty of doing business in Brazil than that the company is engaged in wrongdoing. The visit by PM/DTCC on September 24 for Blue Lantern training and outreach will give post an additional opportunity to look into this case while also explaining to the business community the exigencies of US export controls related to USML items. END COMMENT.

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